Telephony

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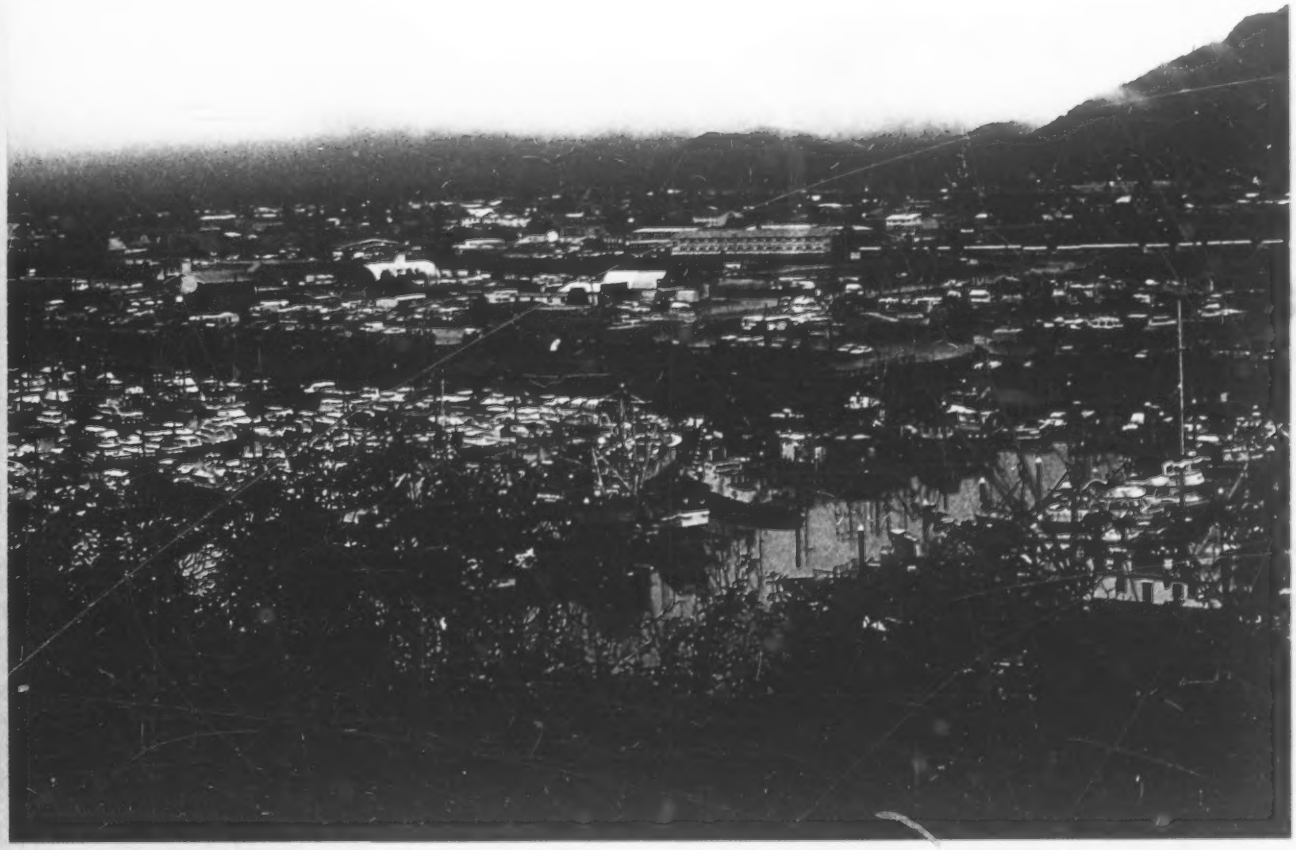

THE VALDEZ EXPERIENCE Tiny telephone cooperative plays a big role in the Exxon Valdez cleanup

RATE SETTLEMENT REVIVES SW BELL NETWORK PLAN

Telco to upgrade 100 Missouri switches to digital within three years

AT&T CHALLENGES BT ON BRITISH SOIL

Istel purchase puts company into U.K. information services market

MONDAY, OCT. 2, 1989 Volume 217, No. 15

Telephony

INTEGRATING VOICE & DATA COMMUNICATIONS

Since March 24 the eyes of the world have been on Valdez, Alaska, a tiny fishing village that blossomed in size overnight when the worst environmental disaster of 1989 happened there. As the cleanup continued, the city, its small telephone cooperative and its residents all got more than their 15 minutes of fame. Cover photo courtesy of Northern Telecom

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By Robert W. Cubbage and Paul A. Littlewood. The Sonet standard specifies five different ways to map DS1 signals. But which road is really best for network providers?

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In My Opinion

Bringing videotex home to meet mom

Minutes before writing this, I checked tomorrow's weather forecast, scanned the latest news headlines and looked up airline schedules for an upcoming business trip. I also could have booked the flights. I accomplished all of these tasks on my home personal computer, a feat that leaves my mother shaking her head in amazement.

Most Americans would undoubtedly enjoy these services. But they remain unknown or out-of-reach to all but those who own PCs and modems.

The existing service providers are struggling just to reach that small user base. Their relatively poor record penetrating even that tiny market is either an indictment of poor marketing or merely reflects the high cost of usage. But the result is the same: minimal market penetration.

This is not the way to build the mass markets that videotex providers say they crave. And it's no way to reach the much-heralded information age in the United States that federal lawmakers, the Federal Communications Commission, state public utility commissioners and U.S. District Judge Harold Greene all say they want.

To saturate this country with videotex services will take a concerted effort from both the private and public sector. And telcos must be allowed to become fully involved in the information business, including providing data manipulation services for videotex providers.

Although there has been little besides talk coming from Washington lately, private industry is moving. Southwestern Bell's executives may be the Star Trekkers of our time as they venture where none have gone before by conducting the first mass market videotex trial in Houston. That trial, which so far has been successful, includes the distribution of inexpensive and relatively easy-to-use terminals.

Observing this success, several videotex companies formed the Videotex Marketing Consortium this summer. The first order of business has been to get quotes from terminal equipment makers to get those terminals into the hands of consumers. The next effort will be to develop industry standards.

The goals and efforts of the new consortium are laudable. The industry clearly has learned from earlier efforts at mass marketing new products and services. Remember how Gillette practically gave away shavers to provide a lasting market for razor blades?

It will take more than cheap and easy-to-use terminals to sell videotex. It also will take good marketing. That's why another development is worthy of praise. Recently, Prodigy—the Sears/IBM videotex venture—and Rochester Telephone joined forces. While Prodigy unfortunately depends entirely on home computer users, it deserves credit for introducing many of those users to an inexpensive source of information and services.

The deal seems to be a natural match. Prodigy saves money because of the centralized computer services that Rochester Tel can provide. In addition, Prodigy receives marketing help—and, maybe in the near future, billing services—that bring with it the customer confidence and name recognition that few could match. And Rochester Tel gets a new source of revenue. If it works in practice as well as it does on paper, then other telcos may pursue similar ventures.

Clearly we still have far to go. But we are getting closer. The day my mother tells me that she used her telephone/terminal to reserve a hotel room, I will know that the information age definitely has arrived.

Charles F. Mason

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INTERTEC

Bell company labor contracts scoreboard

Company	Yr. 1	Wages (Bonus)*	Yr. 2	Yr. 3	Health care	Vision	Dental	Prepaid tuition
Bell Atlantic	**3%**		**2.25%**	**2.25%**	**new PPO†[1]**	**up 25%**	**up 20%**	**not part of contract but co. will prepay in some cases**
BellSouth	4%		1%	1%	new PPO[2]	up 10%	up 10%	not part of contract but co. will prepay
Ameritech								
Illinois Bell								
CWA	5%	$1000[3]	2%	2%	had PPO	up 20%	up 20%	$2200/yr.
IBEW	5%	$1000	2%	2%	had PPO	up 20%	up 20%	$2200/yr.
Indiana Bell								
CWA	5%	2.5%	2.5%	2.5%	had PPO	up 20%	up 20%	$750/yr.
IBEW	5%	2.5%	2.5%	2.5%	had PPO	up 20%	up 20%	$750/yr.
Michigan Bell	5%	3%	2.5%	3%	had PPO	up 23%	up 33.5%	18 credit hours/yr.
Ohio Bell	5%	3%	2.5%	3%	had PPO	up 15%	up 10%	$1500/yr.
Wisconsin Bell	5%	2.5%	2.5%	2.5%	had PPO	slight increase	up 20%	18 credit hours/yr.
Ameritech Services								
CWA	2%	2%	2.5%	2.5%	had PPO	slight increase	up 20%	yes[5]
IBEW	5%[4]	2.5%	2.5%	2.5%	had PPO	slight increase		yes
Pacific[6] Telesis	3.1%		3.7%	2.6%	new PPO	new PPO	new PPO	no
Pac Bell[7] Directories (IBEW only)	4%		3%	3%				
Southwestern Bell	**5.25%**	**$1000**	**2.25%**	**2.25%**	**had PPO[8]**	**up 20%**	**up 20%**	**not part of contract but co. will prepay**
U S West	5%	$600	2.5%	2.25%	new PPO	percentages not available		no

*Bonus indicates a lump-sum payment upon ratification

†PPO stands for preferred provider option: union employees receive greater benefits when they choose a physician who belongs to a network of health care providers agreeing to charge lower rates because of anticipated usage

[1]Under previous contracts Bell Atlantic union members had to pay $150 deductible per individual or $450 deductible per family; that deductible is extended to include hospital care

[2]BellSouth already had a network of hospitals for union employees to choose from; they have agreed to establish a network of physicians as well

[3]Illinois Bell's lowest- and highest-paid union employees will receive a $5-a-week raise and a $1000 bonus instead of the flat 5% raise in the first year

[4]Ameritech Services IBEW first-year wage increase of 5% includes a lump-sum payment of $1000

[5]Ameritech Services is offering prepaid tuition with no maximum limit, but the company has set aside an undisclosed amount of money to fund the benefit, and when funds are depleted, the company will no longer prepay

[6]Rejected by union workers Sept. 22

[7]Pacific Bell Directories and the IBEW will follow the Pacific Bell-CWA benefits package; in addition, sales representatives will not receive wage increases since they work on a commission basis

[8]Employee co-payment for doctor visits increases from $5 to $10, and fees for prescriptions increase from $5 to $8; employee co-payment for emergency room, however, decreases from $25 to $20, and if employee is admitted there is no co-payment

time, become more widely available.

"We are not trying to overhype and oversell ISDN. We know what problems we faced in the trials and we want to work out those problems," Meldrum said. T

Unions fare well in health care battle

Dawn Bushaus, Assistant Editor

By this time, most of the Bell regional holding companies and their unions have managed to negotiate workable contracts for the second time since the breakup of AT&T. The contracts, some not yet ratified, offer union members innovative family care packages that resemble those in AT&T's agreement with the Communications Workers of America, and health care packages that still cost union members relatively little.

Although they said they see no clear-cut winners or losers in the settlements, some analysts said they are surprised the unions were able to hold onto health care packages without sharing much in the cost of coverage.

"The CWA did better than I anticipated," said Fritz Ringling, analyst with Robert A. Sayles Associates Inc. "They got the most they could on medical benefits. I didn't think the telephone companies would be that generous.

"One could argue that the telephone companies took the less than average wage settlement and gave in on health care," he said.

Wage settlements ranged between 8% and 10% in addition to cost of living increases over the three-year lives of the contracts. All of them offered union employees team incentive award programs or profit sharing plans that provide for guaranteed minimal percentage bonus increases and offer a potential for greater increases based on corporate performance.

To date, CWA members at BellSouth, U S West and Southwestern Bell have ratified their contracts. They are still striking at Nynex, and they failed to ratify the agreement negotiated with Pacific Telesis.

The CWA is scheduled to complete ratification votes on contracts with the Ameritech companies Oct. 6, and with Bell Atlantic Oct. 13. International Brotherhood of Electrical Workers members have ratified their contracts with Illinois Bell, Ameritech Services, Indiana Bell, Bell of Pennsylvania, New Jersey Bell and Pacific Bell Directories.

In terms of health care benefits, telcos that did not already have preferred provider option plans, established them, often at the union's suggestion. A PPO is an agreement with a group of physicians who agree to keep costs down because of anticipated usage.

Dental and vision benefit increases were common across the board, although the percentages vary. At most of the RHCs, eye exams will now be covered annually rather than every two years. New provisions for preventative medicine, such as mammograms and well-child care were also added in most of the contracts, as were new provisions

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- Built-in "hands-free" speakerphone
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- Automatic redial for up to 15 times
- Save button for temporary redial memory storage
- Electronic hold
- Switchable tone or pulse dialing
- **A-A1 lead control** for compatibility with key telephones
- Hearing aid compatibility

KX-T2366

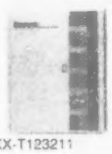
The Panasonic integrated intercom Telephone System, model VA-9200 offers a 2-line telephone system with a single Electronic Controller for power supply to the system. Additional features include:

- One-touch individual voice paging and automatic call transfer
- Outgoing call restriction
- Two CO lines and one intercom speech path
- 3-pair loop wiring
- Handsfree answer-back speakerphone
- 3-party conference calling between two outside callers and one internal caller
- Fully modular connections

VA-9200

The Panasonic model KX-T123211 Electronic Modular Switching System Control Unit can be used with standard 2500 type modular telephones. Initially configured for 6 CO lines, 16 stations, the KX-T123211 can be expanded to 12 CO lines and 32 extensions. Some additional features include:

- 5 intercom paths
- Flexible key assignment
- 8 classes of toll restriction
- Advanced message waiting
- Flexible station numbering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Disagreement over the health care issue was a primary stumbling block in the negotiations that led to strikes at Nynex, Bell Atlantic and Pacific Telesis. Ameritech workers walked off the job in protest of wage proposals.

Nynex and the CWA and IBEW remain at odds over whether employees should contribute to the rising cost of health care through deductibles or premiums.

Ken Margolies, director of the labor program at Cornell University's New York City campus, said he was surprised but pleased that the unions have been able to avoid sharing in the cost of health care at most of the RHCs.

"The big story was health care," Margolies said. "It appears that there were no large shifts of cost to the worker.

"I was hopeful [the unions] would get a good agreement, but I was concerned it would be hard to hold the line on health care costs," he added. "I think it was quite an accomplishment given the climate of labor negotiations."

Margolies said health care will be "the issue of the '90s," in labor negotiations. "This was seen as pivotal. These negotiations were the first," he said.

In recognition of its importance, some RHCs followed the lead of AT&T and established joint union-management committees to study national solutions to the health care insurance problem. Bell Atlantic, BellSouth and U S West all established such committees.

Family care benefits, though not controversial like health care benefits, also were an important issue in the contract negotiations, and all of the RHCs again followed AT&T in agreeing to unprecedented benefits.

Union members will see increases from six months to one year for leaves of absence to care for newborn or adopted children. Medical coverage will be paid by the telcos for six months during leaves. And they all also adopted new one-year leaves of absence for union employees to care for elderly or seriously ill dependents.

Another ubiquitous benefit allows union employees to establish pre-tax accounts of up to $5000 to be used for dependent day-care. And virtually all of the settlements provide for reimbursement of up to $2000 for expenses incurred in adopting children.

Margolies said he thinks the CWA agreement with AT&T may have served as a model for the RHC agreements.

"The CWA is innovative and AT&T was maybe more willing than other employers to try out [family care benefits]," Margolies said. "[The RHCs] are image conscious and have a desire to be seen as caring and a part of the community."

In addition, women represent a large portion of CWA membership. "Women are moving [family] issues higher on the bargaining priority list," Margolies said.

Looking back at recent contract negotiations, industry experts agree that technological advances have made it difficult for workers to pressure telephone companies by threatening to strike.

Most of the strikes did not last long enough for customers to notice significant service disruption, and they did not last long enough for analysts to change their financial projections for the companies.

Ringling said that in general the strikes came at an optimal time for the telcos and they will not suffer financially because of the strikes.

But at Nynex, where workers have been on strike for more than two months, the story may be different.

"The company's earnings have been declining and will continue to do so unless it is able to get a hold on the cost situation," Ringling said, adding he believes the unions are going to have to contribute to the cost of health care for that to happen.

Nynex maintains that its union workers agreed three years ago to pay a $10.27-a-week deductible beginning July 1, 1989, but the unions say they did not agree that cost sharing would go into effect before the old contract ended.

Nynex recently offered to drop the deductible payment to $8 a week, but the unions refused the proposal.

"Nynex is going to be tough," Ringling said. "The unions are going to have to cough up some money." He said he believes union members will have to agree to pay about $7 a week.

Ringling said Nynex's "lackluster management" combined with the strength of the New York CWA and IBEW unions have fueled the strike there. The longer it goes on, he added, the more of a chance there is that customers will start noticing an adverse effect on service.

"Already when you walk down the street in New York, one of two pay phones doesn't work," Ringling said. T

Siemens marks millionth line

Siemens Public Switching Systems Inc. will celebrate the sale of its 1 millionth line of EWSD switching equipment in the U.S. this week.

Appropriately, the landmark purchase order came from Wisconsin Bell, which was the first Bell operating company to buy Siemens switches. The sale is a milestone in Siemens' efforts to crack the U.S. public switching market, which is dominated by AT&T and Northern Telecom. By contrast, Northern celebrated its 50 millionth line of DMS sales this summer.

The switch that put Siemens over the 1 million mark is a 32,000-line system, the largest of the 13 EWSDs installed in Ameritech territory. It will serve Sheboygan, Wis., beginning in mid-1990, and will be equipped to provide Centrex, signaling system 7 and integrated services digital network capabilities.

"We are pleased to have the order for our 1 millionth line from our old friends at Wisconsin Bell, and we're also acutely aware of the contributions that Bell Atlantic and our other customers have made to our success," said Volker Jung, president of Siemens Public Switching Sys-

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Jung